



## Board Report

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**EXECUTIVE MANAGEMENT COMMITTEE  
MARCH 18, 2021**

**SUBJECT: FARELESS SYSTEM INITIATIVE UPDATE**

**ACTION: RECEIVE AND FILE**

**RECOMMENDATION**

RECEIVE AND FILE status report on Fareless System Initiative Update

**ISSUE**

On August 27, 2020, Metro CEO Phil Washington announced the formation of the Fareless System Initiative (FSI) Task Force to identify challenges and offer recommendations on how best Metro can implement fareless transit for all riders on Metro buses and trains. This report serves as the second update to the Metro Board of Directors on the Fareless System Initiative.

**BACKGROUND**

Prior to the pandemic induced decline in transit ridership, almost 70% of Metro customers were either very low or extremely low income. Removing the financial barrier posed by transit fares is a significant step in improving the equity of access to Metro's transit system. Additionally, a fareless system will also contribute to the post COVID-19 economic recovery in Los Angeles County, support the reduction of greenhouse gas (GHG) emissions, attract riders back to the system, and lessen both fare related disputes and the costs associated with fare collection and enforcement.

**DISCUSSION**

The 19-member FSI Task Force has been working with Metro staff throughout the agency, and with local and municipal transit operators, to identify the challenges of implementing a fareless system. As a result of this effort, the Task Force has identified a leading concept for a fareless pilot. The leading concept is a Metro-only 18-month phased pilot that would begin in January 2022 with low-income riders and expand to all K-12 students in August 2022. Throughout the study period, the Task Force has held regular meetings with a Regional Ad Hoc Committee that included representatives from other transit operators throughout the region. Additional Ad Hoc Committee Meetings will be held to coordinate with regional transit operators as the project moves forward.

Over the next two months, the Task Force will continue to conduct outreach, finalize pilot funding

recommendations and the study report document, and refine potential pilot implementation strategies. The draft report document will then be brought to the Board for consideration in April and the final will be brought in May 2021.

Ongoing efforts of the Task Force include:

**1. Communications and Public Outreach**

During the month of March and April, Metro is sharing updates on the Fareless System Initiative and collecting feedback. Through a series of presentations at each Metro Service Council and a countywide telephone town hall on March 31<sup>st</sup>, Metro will continue to listen to public input and provide an update to the Board.

**2. Paying for the Pilot** Staff is examining a wide array of possible funding opportunities. These range from securing Federal Department of Transportation assistance under already existing programs; new legislation in support of fareless experiments; examining the possible reprogramming of Federal and State funds now available to Metro; and new sources of revenue through partnerships with public and private entities across Los Angeles County.

This is a major priority for staff at Metro, and a range of possible funding sources is anticipated and will be brought to the Metro Board of Directors for consideration at the Board's April 2021 meeting.

**3. Fareless System Initiative (FSI) Report** The FSI Task Force is incorporating task force analyses done over the past several months into a comprehensive report, so that all interested stakeholders can see the full array of interrelated issues that must be addressed in order to launch such an initiative. In addition, the report document will be a valuable and necessary asset to Metro in seeking funding from partners at various levels of government in the months ahead.

**4. Implementation Preparation** Successfully carrying out a pilot fareless program requires enormous internal and external teamwork and coordination. The FSI Task Force is now beginning to turn beyond research and analysis that has been the focus to date, to the many actions needed to implement the pilot program. Preparation efforts include the start of engagement with Metro's labor unions, who are a critical component for successful implementation of the program. Metro's Labor Relations team is collaborating with the Task Force to set up meetings with each union. Similar to the Task Force's work with the service councils, the overall goal of this engagement is to share information and seek their input and perspective to inform implementation planning.

One of the noted challenges of implementation will be identifying eligible participants for the program and enabling their fareless access to the system in a streamlined and timely process. Metro must build on the existing LIFE and Reduced Fare (RF) programs by collaborating with social services agencies and community-based-organizations to successfully synchronize efforts and increase participation. Work has already begun between Metro's TAP Office and the City of Los Angeles' Angeleno Connect program to ensure compatible technology between the two programs. Metro will continue to work with other governmental social services agencies and community benefits organizations to build out partnerships and will ensure that

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immigrants, undocumented individuals, and persons experiencing homelessness are included.

## 5. Impediments to Implementing Fareless for K-12 and Community College Students in August 2021

At the February 2021 Board of Director's Meeting, Metro Board Chair Mayor Eric Garcetti, asked staff to look at what the impediments would be to implement fareless for students in Community College and LAUSD the start of the 2021 school year and report back in March what would it take to begin that phase in 2021.

The leading concept of the FSI pilot program includes adding all K-12 students to the pilot in Fall 2022. College students were not included in the initial proposal because as a group their income levels are slightly higher and the FSI project is focused on reaching the families in greatest need first. In addition, this shift of income levels of the included groups would have an effect on the Title VI analysis required by the FTA, which requires Metro to analyze the impact of fare changes on low-income communities. It is important to note that all low-income students (K-12 and college) and their households would qualify for the low-income pilot proposed to begin in January 2022 and continue through June 2023.

Per Metro's Office of Management and Budget (OMB), there were approximately 26 million K-12 boardings in FY19, with 20 million of those being paid with cash at \$1.00 per boarding, for a total of \$27 million in fare revenue. Based on data from LADOT's free DASH to Class Program and Sacramento's free student program, student ridership has been shown to increase over 100% once fares become free. That could translate to lost fare revenue of \$54 million per year (\$4.5 million per month). However, in the K-12 U-Pass Program Pilot Program, 40% of students who registered self-reported that they were already using K-12 reduced fare and 54% said they were paying by full fare. This suggests that the actual lost fare revenue could be higher, because students paying full fare are not taken into account in the K-12 fare revenue totals above.

There are currently 1.4 million K-12 students in LA County that are already slated to be included in the FSI Pilot. According to the California Department of Education, approximately 990,000 (69%) are low-income and qualify for free and reduced lunch program and would also qualify for the low-income portion of the FSI Pilot in January 2022. If these students were to participate in the FSI Pilot 5 months earlier in August 2021, the additional cost would be approximately \$15.5 million ( $\$4.5 \text{ million} \times 69\% \times 5 \text{ months}$ ). If the remaining 31% of students not designated as low-income, who are slated to join the FSI Pilot in August 2022, were moved up to August 2021, the additional cost would be \$16.7 million ( $\$4.5 \text{ million} \times 31\% \times 12 \text{ months}$ ).

Therefore, if the K-12 student pilot began in August 2021 instead of August 2022, the cost would be an additional \$32.2 million in lost fare revenue. There would be an additional cost and effort for distributing TAP cards or stickers to students and administration of the program. In FY19 there were approximately 64,000 students using K-12 Reduced Fare TAP cards. If participation doubles, an additional 64,000 cards could need to be distributed at a cost of \$2 per card or \$128,000, plus administration.

The highest participation in the Universal College Pass (U-Pass) program is approximately 10%, which could double to 20% if the fares are free. There are approximately 800,000 Community College students in L.A. County.

The average U-Pass ridership is five boardings per week at a cost of \$3.75 per week at \$0.75 per boarding. According to U-Pass registration data, approximately 75% of participating students at all schools qualify as low-income, and would, therefore be included in the FSI pilot group in January 2022. If Community College students were to participate in the FSI Pilot 5 months earlier in August 2021, the additional cost would be approximately \$8.6 million (800,000 students x 75% low-income x 20% participation x \$3.75 per week x 19 weeks)

If 20% of the remaining 25% of Community College students who do not qualify for low income were to ride Metro five times per week, the additional cost to FSI would be approximately \$18.8 million (800,000 students x 25% non-low-income x 20% participation x \$3.75 per week x 98 weeks), plus \$80,000 for 40,000 TAP stickers or cards. These costs do not include administration, which is anticipated to be handled by Metro Commute Services, who currently manages the U-Pass Program. Eight of the 20 Community Colleges in LA County are already participating in the U-Pass program and have existing transit pass distribution processes in place on their campuses. The additional twelve schools would need to be added.

It is important to note that the both K-12 districts and schools and Community College districts and schools will have to take on administration of this programs on their individual campuses in order to participate, and that the feasibility of adding twelve Community Colleges and all new K-12 participation prior to August 2021 will also be dependent on the schools' timelines.

**Summary of Additional Costs (on top of the initial leading concept costs)**

|   |                     |
|---|---------------------|
| <b>Grades K-12 in August 2021</b>   |                     |
| Cost of moving up low-income (69%) from January 2022 August 2021            | \$15,500,000        |
| Cost of moving up non-low-income (31%) from August 2022 to August 2021      | \$16,700,000        |
| Cost of additional TAP cards or stickers (64,000)                           | \$128,000           |
| <b>Total</b>  | <b>\$32,328,000</b> |
| <b>Including Community Colleges in August 2021</b>                          |                     |
| Cost of moving up low-income (75% of 800,000) from January 2022 August 2021 | \$8,600,000         |
| Covering non low-income community college students (25% of 800,000)         | \$18,800,000        |
| Cost of \$2 TAP cards or stickers (20% of 200,000 = 40,000)                 | \$80,000            |
| <b>Total</b>  | <b>\$27,480,000</b> |
| <b>Total Cost of Launching K-12 and Community Colleges in August 2021</b>   | <b>\$59,808,000</b> |

**If ridership does not return to pre-COVID levels or does not increase the full 100% due to the**

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elimination of fares, the cost could be as low as half the amount listed above or \$29.9 million.

**FINANCIAL IMPACT**

There is no financial impact as a result of this receive and file report at this time. Staff has identified anticipated pilot cost and continues to work on identifying pilot funding.

**IMPLEMENTATION OF STRATEGIC PLAN GOALS**

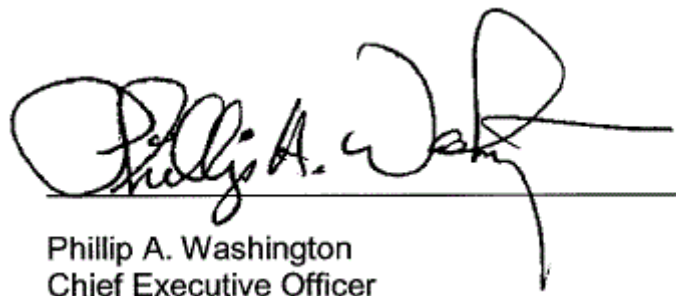
This recommendation supports the following strategic plan goals identified in Vision 2028. Goal 3 Enhance communities and lives through mobility and access to opportunity; Goal 4 Metro will work with partners to build trust and make decisions that support the goals of the Vision 2028 Plan; and Goal 5 Provide responsive, accountable, and trustworthy governance within the Metro organization.

**NEXT STEPS**

The FSI Task Force will be conducting Community Outreach through April 15<sup>th</sup>, finalizing the report document, identifying eligible funding, and refining implementation strategies. The FSI Task Force will return to the Metro Board of Directors in April 2021 with an update and will present the final report to the Board for action in May 2021.

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Fareless System Initiative Task Force

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Phillip A. Washington  
Chief Executive Officer

# Fareless System Initiative (FSI)

March 25, 2021



# FSI Update

FSI Taskforce is working on a report, due in April 2021, which will include the following:

- Funding options and opportunities
- How Fareless pilot relates to broader Metro initiatives
- Impact of Fareless pilot on overall Metro operations
- Collaboration with municipal operators and cost for them to participate
- Relation of Fareless pilot to existing discount programs already in effect

# FSI Update Cont.

- Formula Allocation Procedure (FAP) considerations
  - Fareless comments received through customer surveys
  - Potential cost savings relating to fare collection/TAP and pass administration
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- Draft will be available to Board Members and interested stakeholders in April
  - Fareless initiative assumes no cuts in service and continued focus on customer service and State of Good Repair



# Fareless Pilot Will Yield Essential Information

- Ridership increases, especially in post-pandemic time
- Equitable help for those most severely affected during the COVID-19 Pandemic and in need of help
- New and creative ways to allow citizens to sign up for pilot

# Federal Assistance

- Some Federal help is possible during pilot
- LA Metro can lead the country in Fareless, and a pilot will greatly reinforce our case for sustained Federal assistance
- Congress is now considering significant innovative funding for Fareless experiments
- Federal aid essential after the pilot

# Partnerships are Essential

- Staff has and will increase partnerships and communications with municipal transit operators
- Outreach to LAUSD and LACCD is significant
- Other transit systems offering special student fares or no fares receive designated financial support

# Questions and Answers